

CITIES AND TOWNS BULLETIN

AND UNIFORM COMPLIANCE GUIDELINES ISSUED BY STATE BOARD OF ACCOUNTS

December 2002

YEAR END DUTIES

The following is a listing of duties and reports that occur each year end. Some of the articles have been published in this issue.

	<u>Bulletin Date</u>	<u>Page</u>
Fire Protection Contracts	December, 2000	3
Encumbering Appropriations	This Issue	2
Cancellation of Warrants - Old Outstanding Checks	This Issue	1
Publication of Annual Report in Pamphlet Form - 2nd Class Cities	December, 2000	4
Annual Report	December, 2000	4
Certification of Names and Addresses to County Treasurer	December, 2000	5
Report of Names, Addresses, Duties and Compensation of Public Employees	December, 2000	5
Annual Operational Report - Motor Vehicle Highway Fund	December, 2000	3
Dormant Fund Balances - Transfers Authorized	December, 2000	2-3
Monthly Bank Reconcilements	December, 2000	4

CANCELLATION OF WARRANTS – OLD OUTSTANDING CHECKS

Pursuant to IC 5-11-10.5, all checks outstanding and unpaid for a period of two years as of December 31 of each year are void.

Not later than March 1 of each year, the treasurer of each political subdivision shall prepare or cause to be prepared a list in duplicate of all checks outstanding for two or more years as of December 31 last preceding. The original copy shall be filed with the fiscal body of the city or town and the duplicate copy maintained by the disbursing officer of the city or town. The treasurer of each political subdivision shall enter the amounts so listed as a receipt to the fund or funds upon which they were originally drawn and remove the checks from the list of outstanding checks. If the fund from which the check was originally drawn is not in existence or cannot be ascertained, the amount of the outstanding check shall be receipted into the general fund of the political subdivision.

ENCUMBERED APPROPRIATIONS – BALANCE AVAILABLE

With the opening of a new budget year and a new set of ledgers, it is to the advantage of a municipality to review the unpaid purchase orders and contracts which remain on the ledgers as “encumbered.”

Unpaid purchase orders and those items under contract are to be added for each appropriation account and the total carried to the new 2003 corresponding account. The actual unpaid amount of the purchase orders or contracts should be totaled and shown as a separate amount on the appropriation ledger sheet for 2003, with proper explanation, and added to the 2003 appropriation for the same purpose. By properly carrying out this procedure, the 2003 budget will not be expected to stand any expense not anticipated in making the budget.

We suggest the proper officials of the city or town make a listing of these encumbered items and make it part of their minutes in their last business meeting of the year. The Department of Local Government Finance should be sent a copy of the listing.

Keep in mind the appropriations encumbered and carried forward can be used for no other purpose other than the purchase order or the contract for which they were appropriated.

SALES TAX - INCREASE TO 6% - EFFECTIVE DECEMBER 1, 2002

Public Law 192 – 2002(ss) increased the State sales tax from five percent (5%) to six percent (6%) effective December 1, 2002. With respect to the tax on water, gas, and electric utilities, Section 195 of the Act states that:

“with respect to a transaction constituting the furnishing of public utility, telephone, or cable television services and commodities, only transactions for which the charges are collected upon original statements and billings dated after December 31, 2002, shall be considered as having occurred after November 30, 2002.”

UTILITY RECEIPTS TAX

Public Law 192 also repealed IC 6-2.1, the gross income tax law, and replaced it with a utility receipts tax effective January 1, 2003. Most of the procedures for paying the new tax are the same as the procedures used for paying the former gross income tax except the rate of the tax will be 1.4% instead of 1.2%.

The Department of Revenue should be contacted for information on the new tax.

CHILD SUPPORT WITHHOLDINGS

Public Law 86, Acts of 2002, requires employers that employ more than fifty (50) employees and that withhold child support from more than one (1) obligor to make payments to the State Central Collection Unit through electronic funds transfer. All questions should be directed to Family and Social Services, Division of Family and Children, Indiana Child Support Bureau, at (317) 232-4893.

CERTIFIED TECHNOLOGY PARKS

Public Law 192 added IC 36-7-32 which allows redevelopment commissions to establish certified technology parks in territories within their jurisdictions if approved by the Department of Commerce. Certified technology parks are those areas containing property used primarily for high technology activity or a business incubator.

Each redevelopment commission that establishes a certified technology park shall establish a certified technology park fund to receive:

1. property tax proceeds allocated under IC 36-7-32-17; and
2. money distributed to the redevelopment commission under IC 36-7-32-22.

Money deposited in the certified technology park fund may be used by the redevelopment commission only for one (1) or more of the following purposes:

1. Acquisition, improvement, preparation, demolition, disposal, construction, reconstruction, remediation, rehabilitation, restoration, preservation, maintenance, repair, furnishing, and equipping of public facilities.
2. Operation of public facilities described in IC 36-7-32-9(2).
3. Payment of the principal of and interest on any obligations that are payable solely or in part from money deposited in the fund and that are incurred by the redevelopment commission for the purpose of financing or refinancing the development of public facilities in the certified technology park.
4. Establishment, augmentation, or restoration of the debt service reserve for obligations described in subdivision (3).
5. Payment of the principal of and interest on bonds issued by the unit to pay for public facilities in or serving the certified technology park.
6. Payment of premiums on the redemption before maturity of bonds described in subdivision (3).
7. Payment of amounts due under leases payable from money deposited in the fund.
8. Reimbursement to the unit for expenditures made by it for public facilities in or serving the certified technology park.
9. Payment of expenses incurred by the redevelopment commission for public facilities that are in the certified technology park or serving the certified technology park. The certified technology park fund may not be used for operating expenses of the redevelopment commission.

GUARANTEED ENERGY SAVINGS CONTRACTS

Public Law 98, House Enrolled Act 1158, effective March 21, 2002, provided numerous changes applicable to “Energy Savings Contracts” including the following items.

IC 36-1-12.5-0.5 states, “As used in this chapter, ‘actual savings’ includes stipulated savings.”

IC 36-1-12.5-0.7 states, “As used in this chapter, ‘causally connected work’ means work that is required to properly implement an energy conservation measure.”

IC 36-1-12.5-1 states in part: “As used in this chapter, ‘energy conservation measure’ means an alteration of a structure (as defined in IC 36-1-10-2) designed to reduce energy consumption costs or other operating costs ... including future:

- (A) labor costs;
- (B) costs for contracted services; and
- (C) related capital expenditures.”

IC 36-1-12.5-2.5 provides “... industry engineering standards” includes the following: (1) Lifecycle costing. (2) The R.S. Means estimating method developed by the R.S. Means Company. (3) Historical data. (4) Manufacturer’s data. (5) American Standard Heating Refrigeration Air Conditioning Engineers (ASHRAE) standards.”

IC 36-1-12.5-3.5 provides, “As used in this chapter, ‘related capital expenditures’ includes capital costs that: (1) the governing body reasonably believes will be incurred during the contract term; (2) are part of or are causally connected to the energy conservation measures being implemented; and (3) are documented by industry engineering standards.”

IC 36-1-12.5-3.7 provides, “As used in this chapter ‘stipulated savings’ are assumed savings that are documented by industry engineering standards.”

IC 36-1-12.5-11 states in part (a), “A guaranteed energy savings contract that includes stipulated savings must specify the methodology used to calculate the savings using industry engineering standards.”

Non “Causally Connected Work”

Effective March 21, 2002, IC 36-1-12.5-12 states in part (a), “An improvement that is not causally connected to an energy conservation measure may be included in a guaranteed energy savings contract if: (1) the total value of the improvement does not exceed fifteen percent (15%) of the total value of the guaranteed energy savings contract; and (2) either: (A) the improvement is necessary to conform to a law, a rule, or an ordinance; or (B) an analysis within the guaranteed energy savings contract demonstrates that: (i) there is an economic advantage to the political subdivision in implementing an improvement as part of the guaranteed energy savings contract; and (ii) the savings justification for the improvement is documented by industry engineering standards. (b) The information required under subsection (a) must be reported to the Department of Commerce.”

Late Reports

IC 36-1-12.5-10 states, “The governing body shall:

- (1) provide to the Department of Commerce not more than sixty (60) days after the date of execution of the guaranteed energy savings contract:

GUARANTEED ENERGY SAVINGS CONTRACTS (Continued)Late Reports

- (A) a copy of the executed guaranteed energy savings contract;
 - (B) the energy consumption costs before the date of execution of the guaranteed energy savings contract; and
 - (C) the documentation using industry engineering standards for:
 - (i) stipulated savings; and
 - (ii) related capital expenditures; and
- (2) annually report to the Department of Commerce, in accordance with procedures established by the Department of Commerce, the savings resulting in the previous year from the guaranteed energy savings contract or utility energy efficiency program.”

Please ensure that your “Energy Savings Contract” does not put your City or Town into a situation which would result in an Audit Result and Comment because the City or Town has not provided information which would indicate that a contract (existing and new contracts) complies with IC 36-1-12.5 and Public Law 98, House Enrolled Act 1158, effective March 21, 2002. Examples would include “stipulated savings” that are not documented by “industry engineering standards” in accordance with IC 36-1-12.5-11, or if an improvement that is not “causally connected” to an energy conservation measure is greater than fifteen percent (15%) of the total value of the guaranteed energy savings contract or reporting to the Indiana Department of Commerce, Energy Policy Division is not in compliance with IC 36-1-12.5-10.

Information presented for audit in many instances indicates “agreed upon” or “stipulated savings” have been predetermined. Often no information is available to document actual operating or energy savings. Accordingly, with due regards for the remaining contract time for which information may be presented to document actual operating and energy savings (effective March 21, 2002, “stipulated savings” documented by “industry engineering standards”), a city or town should request reimbursement for costs which did not result in an actual reduction of energy consumption costs or other operating costs (or effective March 21, 2002, stipulated savings which were not supported by “industry engineering standards”) at the end of the contract term in accordance with IC 36-1-12.5-11 and IC 36-1-12.5-12.

HANDLING DEPOSITS FOR CUTTING STREETS AND CURBS

When a city or town requires a cash deposit from utilities, contractors, or individuals for cutting streets and curbs, the following accounting procedure is recommended:

1. Receipt such deposits into a separate fund entitled “Street Cut Deposit Fund” (or similar wording).
2. If the utility, contractor or individual is not required to repair the street or curb, or does not repair same satisfactorily, pay the costs or labor and materials from the street fund in the regular manner from appropriations available therefore.
3. After the repair work is completed satisfactorily, reimburse the street fund for any labor and materials required and refund the balance of the deposit (if any) to the depositor from the “Street Cut Deposit Fund.” Claims should be filed to support both transactions; however, no appropriation is required for either type of expenditure from the street cut deposit fund.
4. A record or card file should be kept for each deposit, showing the receipt and any disbursements applicable to such deposit. Utility Form No. 314, *Guarantee Deposit Register*, could be used for such record.

INVESTMENT OF METER DEPOSIT FUNDS

IC 5-13-9-6 authorizes transfer of interest earned on utility meter deposits to the operating fund or depreciation fund of the municipal utility as determined by its governing body.

INSPECTION OF CITY AND TOWN RECORDS

Most records of public offices are public property and may be examined by any citizen of the municipality, unless the law specifically provides they be confidential. Any person may inspect and copy the public records of any public agency.

No request may be denied because the person making the request refuses to state the purpose of the request, unless such condition is required by Statute.

A public agency may not deny or interfere with a person's right to inspect or copy public records. The public agency shall either provide the requested copies to the person requesting such copies or allow the person to make copies on the agency's equipment or on his own equipment. (IC 5-14-3-3) The public agency may charge a fee for such copies. If the public record is a duplicate of a computer tape or disc, microfilm, or other similar record, the fee to be charged should be set in accordance with IC 5-14-3-8.

IC 5-14-3-4 contains a listing of those records which are (or could) be held to be confidential. All municipal officials are urged to review this section of the law to ensure that the city or town's policy on such records is in compliance with the Statute.

Questions regarding access to public records should be directed to the States' Public Access Counselor at (800) 228-6013.

SOCIAL SECURITY TAX BASE CHANGES JANUARY 1

The 2003 contribution rate will remain at a total of 15.3 percent. The tax rate for both employees and employers for 2003 will be 7.65 percent. (6.2% Social Security and 1.45% Medicare)

We further understand that the maximum amount of earnings that will be subject to Social Security contributions will be raised from \$84,900 to \$87,000 effective January 1, 2003.

Please contact the Internal Revenue Service at (800) 829-1040 if you should have questions on this matter.

INDEX TO BULLETINS

Enclosed with this issue is an index to the following issues of the Cities and Towns Bulletin:

1993 - March, June, September, December
1994 - March, June, September, December
1995 - March, June, September, December
1996 - March, June, September, December
1997 - March, June, September, December
1998 - March, June, September, December
1999 - March, June, September, December
2000 - March, June, September, December
2001 - March, June, September, December
2002 – March, June, September, December

The articles appearing in the year 1992 and prior issues have been revised and reprinted in later issues. Also, articles revised in later issues that are obsolete have been omitted from the index. Please discard all issues prior to March, 1993.

MERRY CHRISTMAS

In reflecting back over the past years, we have all been faced with many new problems and difficult decisions. Some of those problems have been resolved while many still remain for us to find solutions. We extend, as we have in the past, our sincerest efforts for cooperation on a joint effort to resolve those problems in our area of expertise.

We extend our thanks for the tremendous cooperation and assistance afforded our audit staff and this Board throughout this year in an effort to improve audit efficiency. From each of us and our staff to each of you and your staff, we send our best wishes for the holidays and our sincere wishes for a prosperous and happier new year.

Charles Johnson III
State Examiner

Michael A. Fiwek
Deputy State Examiner
Examiner

Marilyn S. Rudolph
Deputy State